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UNITED STATES POLITICAL/ECONOMIC INTERESTS AND POLICY ISSUES  
IN THE ASIA-PACIFIC REGION

by

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REQUIREMENT

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## INTRODUCTION

Shortly after I arrived at the Air War College, I discovered two things. First, I was required to submit a 25 page research paper on the topic of my choice, and second, that I was scheduled to go on the Pacific Rim trip. I had two problems: First, I knew there weren't any burning issues that I wanted to spend 25 pages talking about, and second, I knew nothing about the Pacific Rim. The answer to both problems soon became obvious: do a paper on the Asia-Pacific region. I could prepare for the trip and get the paper out of the way at the same time.

The second chore was to focus the paper. After a significant amount of research I determined that there were two questions I wanted to resolve. First, why is the U.S. so concerned about the Asia-Pacific region, specifically, what are its interests there? The U.S. military has a large, expensive mission in the region, the President is taking time away from the domestic economy to both visit the region and host a summit for leaders from the region, etc. Therefore, there must be some reason for all the attention. Second, why is there such confusion over U.S. policy in the region? A recent quote from a magazine article highlights this second question:

*"Winston Lord, the State Department's East Asia man, has been quoted as having told a recent meeting of American businessmen that the Clinton administration was trying to determine 'how to pursue multiple objectives with no clear hierarchy among them . . . National security had the priority before, but now it's hard to tell whether economics, or human rights or whatever else takes priority.'"<sup>1</sup>*

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<sup>1</sup> Anonymous, "America and Asia: Treating With Tigers," *Economist*, Vol. 331, Iss. 7859, 16 Apr 94, pg. 24

It seemed to me that once U.S. interests in the region were clear, the policy should be easy to lay out and prioritize. I wanted to understand not only what current issues were driving this confusion, but why the problem was so difficult to solve. Unfortunately, upon examining the current issues that drive our policy, I found the answer to this second question can be extremely complex and lengthy and I was forced to narrow the analysis down to just the political and economic issues.

The purpose of this paper is to answer the two questions: 1) What are America's interests in the Asia-Pacific region?, and, 2) What current political and economic issues are driving the confusion over priorities in U.S. policy and why? I will address these questions separately in two sections and then conclude with some suggestions for U.S. policy makers based on the discussion.

## SECTION ONE: U.S. INTERESTS IN THE ASIA-PACIFIC REGION

### INTRODUCTION

Since World War II the United States has been heavily involved in the Asia-Pacific region. Immediately following the war our national interest in that region was obvious--the stabilization and rehabilitation of Japan. Shortly thereafter, the U.S. became involved with the defeat/containment of communism. The U.S. had 'lost' China, almost lost Korea (in fact, did lose North Korea), and feared losing areas of Southeast Asia (domino theory). America continued with visible involvement in the attempt to keep Vietnam free from communism and somewhat less visible involvement in many of the other countries in the region. The containment of communism was such a significant, in fact, overwhelming part of foreign policy, that other interests in the area became secondary and were hardly mentioned.

With the end of the Cold War, large budget and trade deficits, domestic problems, etc., many Americans are questioning the continued expensive military involvement in Japan and South Korea. The real question should be--*What are the United States' interests in the Asia-Pacific region?* The answer to this question, provides the answer to why America continues it's military investment and active political and economic activity. The purpose of this section is to examine selected U.S. interests in that region.

### DISCUSSION

One of the United States' primary national interests is to maintain a strong and vibrant domestic economy. A 1992 Department of Defense (DoD) Report to Congress on the Asian Pacific Rim lists a number of U.S. political, military, and security interests in the Asia-Pacific area. I have selected the following four of these interests to analyze: "[1] commercial access

to the region; [2] freedom of navigation; [3] the prevention of the rise of any hegemonic power or coalition; and [4] maintaining regional peace and stability.”<sup>2</sup> In my examination of these four selected interests, I will concentrate on their importance to the maintenance of a strong and vibrant U.S. economy.

### ***Commercial Access to the Asia-Pacific Region:***

*Why is U.S. commercial access to the Asia-Pacific region important?*

Commerce is a primary ingredient in maintaining the United States as a superpower. It is part of the basic foundation of the economy and one of the key pillars of security. Commerce with other countries is especially important in underwriting increases in the economy. President Clinton, in a November 1993 address, emphasized this importance by stating: “Today, exports are the lifeblood of our economic growth. Since the mid-1980s, half our increases in incomes and almost all the expansion in manufacturing jobs in the United States have been tied to exports.”<sup>3</sup>

The Asia-Pacific region is a vital and growing center of commerce and the U.S. must continue to be actively involved there to remain competitive in the global marketplace. The 1994 national security strategy highlighted:

*“Just three decades ago, Asia had only 8% of the world’s GDP. Today, it exceeds 25%. Asian economies are growing at three times the rate of the more*

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<sup>2</sup>Department of Defense, “A Strategic Framework for the Asian Pacific Rim: Report to Congress 1992,” in RSA: East Asia/Pacific Advanced Studies AY 1995 Readings Topics 1-5, Air War College, Air University Maxwell AFB, AL, 1994, pg. 75, 81

<sup>3</sup>President William J. Clinton’s address to the Seattle APEC Host Committee, Seattle, Washington, 19 Nov 1993, “The APEC Role in Creating Jobs, Opportunities, and Security”, U.S. Department of State Dispatch, Vol. 4, No 48, 29 Nov 1993, pg. 814

*established industrial nations. . . Over the past five years, our exports to many Asian nations have increased by 50% or more. Much of what Asia needs to continue its growth are goods and services in which we are strong. Already, Asia is our largest trading partner. Exports to Asia account for 2.5 million jobs."*<sup>4</sup>

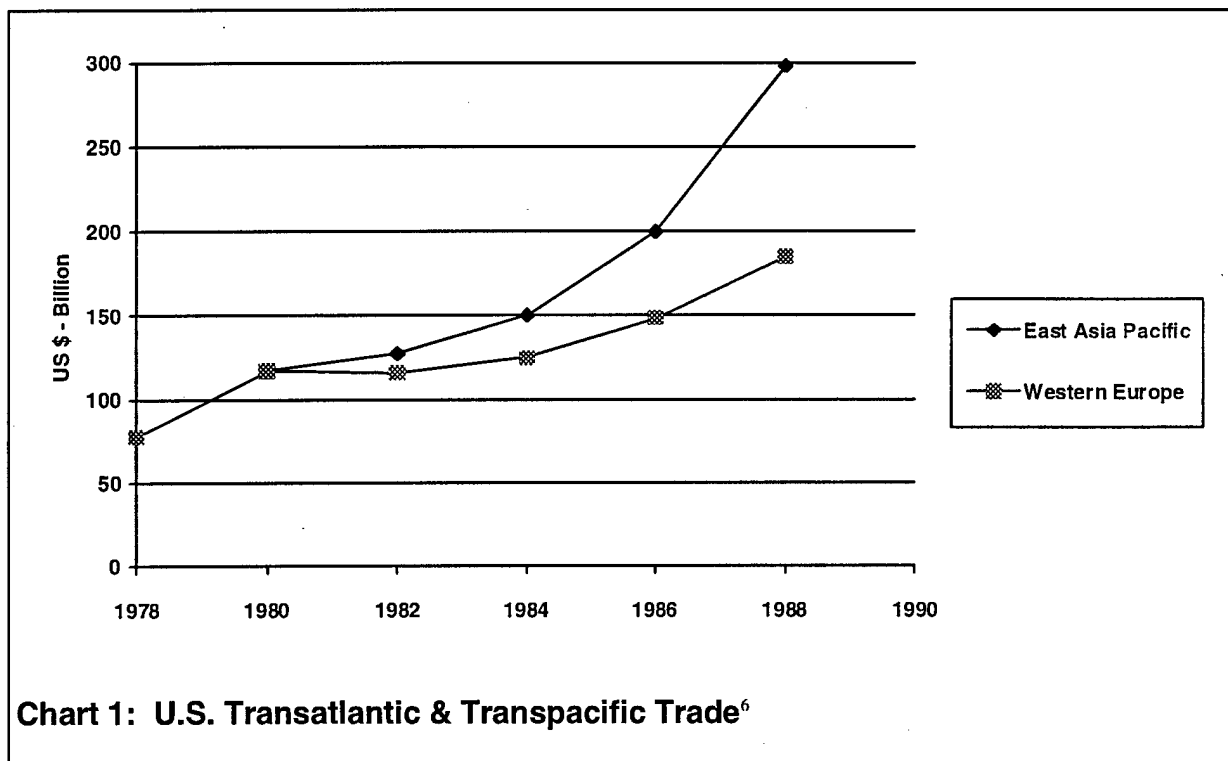
President Clinton, in another forum, added: "Increasing our share of [the Asian] market by 1% would add 300,000 jobs to the American economy."<sup>5</sup> Chart 1, below, shows the increased Asian trade in just the last decade. With the turn of some of the communist countries (China, Vietnam, etc.) toward free market systems and the potential in the newly industrialized countries (South Korea, Taiwan, Singapore, etc.) and the developing, resource rich countries (Malaysia, Thailand, Indonesia, etc.), this trend is sure to continue.

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<sup>4</sup> A National Security Strategy of Engagement and Enlargement, The White House, July 1994, pg. 24

<sup>5</sup> President William J. Clinton's address, pg. 816





As further evidence of U.S. commitment to increasing commercial ties to the region, in 1989 it joined with other Asia-Pacific nations in an organization called the Asia-Pacific Economic Cooperation (APEC). America's purpose, and that of the other member nations, was "to better manage the effects of growing interdependence in the Pacific region and to sustain economic growth."<sup>7</sup> APEC's original member nations included Australia, Brunei, Canada, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, and the United States. In 1991, China, Chinese Taipei (Taiwan), and Hong Kong joined APEC, and by 1994, Papua New Guinea, Mexico, and Chile had also joined.<sup>8</sup> APEC is working to liberalize trade world-wide through this combined voice. Both the Asian and Western members are concerned about "inward-looking regionalism" in Europe, similar trends

<sup>6</sup> Borthwick, Mark, with contributions by selected scholars, Pacific Century, The Emergence of Modern Pacific Asia, (Westview Press, Inc., 1992), pg. 2

<sup>7</sup> "Fact Sheet: Asia-Pacific Economic Cooperation (APEC)," U.S. Department of State Dispatch, Vol. 4, No 31, 2 Aug 1993, pg. 555

<sup>8</sup> Ibid.

in the Western hemisphere with NAFTA, and with "protectionist backsliding" in many countries.<sup>9</sup> Annual summits with member's heads of state are focusing attention and commitment on the group's goals. Additionally, these leaders are directing their ministers to meet to work issues. For example, in March of 1994, the finance and environmental ministers of the APEC countries met to begin working regional macroeconomics issues, share growth strategies, look into environmental technology and standards, etc.<sup>10</sup> Other targeted areas for cooperation include: trade and investment data review, trade promotion, investment and technology transfer, human resources development, regional energy cooperation, marine resources conservation, telecommunications, transportation, tourism, and fisheries.<sup>11</sup>

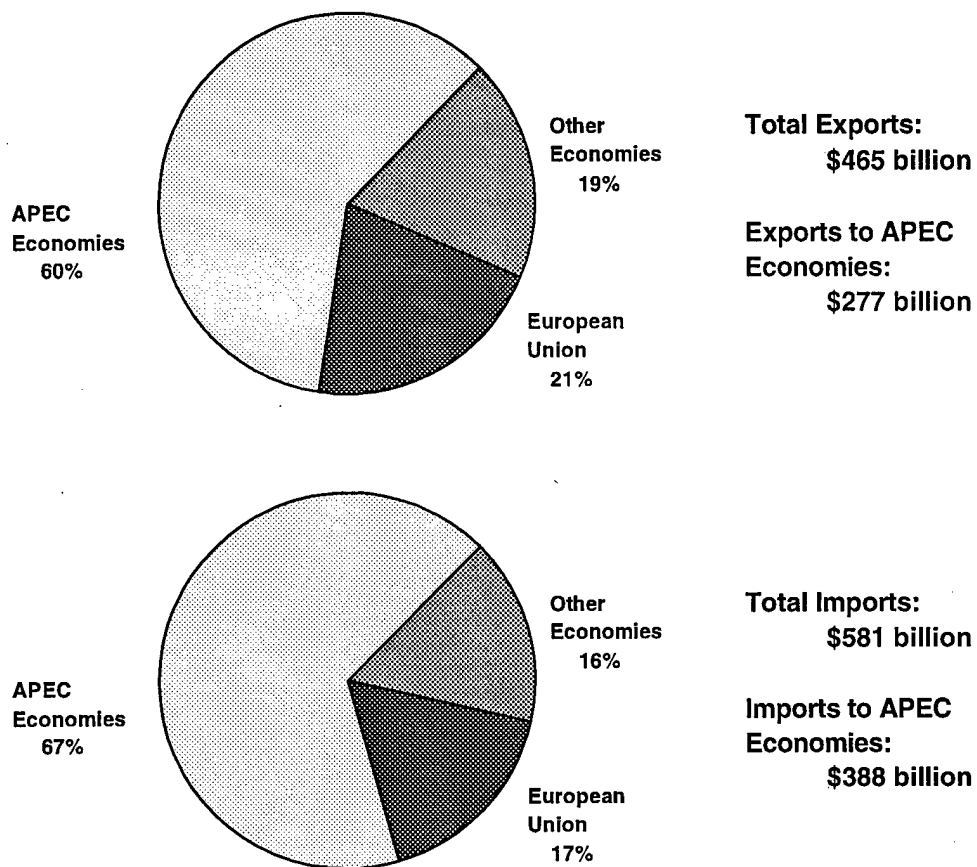
As shown in chart 2, below, the APEC group now constitutes the majority of U.S. trade and the Asia-Pacific countries contribute to over half of that total.

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<sup>9</sup> Bergsten, Fred C., "APEC and World Trade, A Force for Worldwide Liberalization," *Foreign Affairs*, Vol. 75, No 3, May/June 1994, pg. 20-22

<sup>10</sup> "Focus on Asia-Pacific Economic Cooperation [APEC], Finance and Environment Ministers Meetings and 1994 Plans," U.S. Department of State Dispatch, Vol. 5, No 12, March 21, 1994, pg. 168-179

<sup>11</sup> Cung, Raphael, "The United States and the Asia-Pacific Economic Cooperation Forum (APEC)," *Business America*, Vol. 114, Iss. 7, 5 Apr 93, pg. 3



**Chart 2: U.S. Merchandise Trade by Selected Region, 1993<sup>12</sup>**

Based on the economic outlook for growth in the Asia-Pacific region, America must maintain commercial access to remain competitive in the world marketplace and to maintain and increase the GDP it currently has. Restricted access to Asia-Pacific markets could result in significant loss of U.S. jobs and exports leading to a severe and extended recession in the economy as it struggled to develop other markets. Secretary Warren Christopher has

<sup>12</sup> "Focus on Asia-Pacific Economic Cooperation [APEC], Finance and Environment Ministers Meetings and 1994 Plans," pg. 168-170

correctly stated "Asia is our largest trading partner. . . No region is more important to the United States and its future than Asia and the Pacific".<sup>13</sup>

### ***Freedom of Navigation:***

*Why is the U.S. concerned with freedom of navigation through the Asia-Pacific region?*

Shipping is the most economical, and therefore, the most used method of transport for all overseas trade. Wing Commander Grey outlined the importance of this issue in his proposal for maritime security cooperation in the area:

*"Southeast Asia is at the confluence of air and sea trade routes between the Indian and Pacific littorals, and routes to Australia and New Zealand in the south and Japan, China and Russia in the north. . . The bulk of commodities traded between the ASEAN [Association of Southeast Asian Nations] states and Japan, the U.S. and Europe is transported by sea, and volumes are increasing. The continued prosperity of the region is, therefore, highly dependent upon the uninterrupted continuation of sea trade."*<sup>14</sup>

Restricted access for transportation of exports (and imports), has the same effect as restricted commercial access through trade barriers--a loss of jobs and exports and resulting recession.

Access for military fleets is just as important as trade access. The sea lanes of communication (SLOCs) within the Asia-Pacific region are used not only for trade with Southeast Asian countries, but also as main arteries to reach the countries surrounding the Persian Gulf and Indian Ocean. The "choke points" at the Malacca Straits, the Bashi

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<sup>13</sup> Secretary of State Warren Christopher's opening statement at a news conference, Washington, DC, 15 Nov 1993, "APEC: Charting a Course for Prosperity", U.S. Department of State Dispatch, Vol. 4, No. 48, 29 Nov 1993, pg. 822-823

<sup>14</sup> Grey, R. W., Wing Commander, "A Proposal for Cooperation in Maritime Security in Southeast Asia", Working Paper No. 274, Strategic and Defence Studies Centre, Australian National University, Canberra, Australia, Jul 1993, pg. 5

Channel, and the various straits through the Indonesian archipelago are all vulnerable. In the same proposal, Wing Commander Grey highlighted the vulnerabilities of these straits:

*"All of these key entry and exit points could be denied to shipping by military force. Mines, submarines or blockading naval and air forces could be used to achieve any degree of disruption desired. . . traffic [passing through] may divert around the region at extra cost, but more than 65 percent of sea trade [calls at] ports within the region. . . Any of the choke points also could be closed to shipping due to major pollution. Such an occurrence could result from an accident through mechanical failure or human error, terrorist attack or piracy."*<sup>15</sup>

Disruption of these SLOCs could be devastating not only to the U.S., but to all the countries within the region and those that depend upon these lanes for transport through the region.

### ***Regional Hegemony:***

*Why should the United States wish to prevent the rise of any hegemonic power or coalition within the Asia-Pacific region?*

The U.S. fears the rise of a hegemonic power or a coalition that it does not control (or that is hostile to it) within the Asia-Pacific region for two reasons. First, the hegemonic power or coalition may impose conditions on trade or access that would be detrimental to U.S. interests. Second, the rise of the power will likely lead to a loss of stability in the region. (I will discuss loss of stability under the next national interest.)

What constitutes "hegemony"? Steve Chan argues that there are two different sets of requirements for hegemony: In the first, a country must have crucial raw materials, control

major sources of capital, maintain a large market for imports, and hold comparative advantages in goods with high value added. It must be distinctly superior to other countries in these respects. In the second set of requirements, a country must have the power to: 1) influence other people's physical security; 2) control the global system of production of goods and services; 3) determine the global system of international finance and credit; and 4) control and influence the development, accumulation, and transfer of knowledge--not just of technology, but also ideas and beliefs.<sup>16</sup> Throughout this century, the United States has been the only power capable of exercising most of these requirements. U.S. mastery of many of the political, military, and economic requirements listed in both definitions directly led to it's winning the Cold War and being the only remaining superpower.

Regional hegemony allows the country or coalition that has it to dictate terms to all who wish access to that region. These terms are in the best interest of the hegemonic power and are unlikely to match U.S. interests. Recently, Japan has gained significant ground in the second set of hegemony requirements and many of the first. A future China, or Japan in coalition with other Asian-Pacific countries, could in the coming years fulfill all of the requirements. Hegemonic control of the Asia-Pacific region by either of these powers has the potential to significantly limit America's commercial and military access to and through the region. America's continued active participation in the region, both economically and militarily, is necessary to ensure it remains a dominate member in any coalition. That is the only way to ensure it's interests are primary.

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<sup>15</sup> Ibid., pg. 6

<sup>16</sup> Chan, Steve, "Looking Forward: Alternative Futures", Chpt. 5 in East Asian Dynamism: Growth, Order, and Security in the Pacific Region, (Westview Press, 1993) pg. 116-117

### ***Regional Peace and Stability:***

*Why must the United States worry about maintaining regional peace and stability in the Asia-Pacific region versus letting the Asian countries take care of it?*

Stability within a marketplace is key to continued economic growth. When the stability of a region is disrupted, nations become more concerned with survival than with the state of their economy. Fundamentals for economic growth take second place: funds are funneled into acquiring military hardware versus being used to promote trade; peoples' efforts are focused on preparing for and fighting wars rather than on producing goods and services; people's savings rates go down, so there is less money available for investment; free trade within the unstable region frequently slows or stops completely; etc. All of these conditions are bad for the U.S. in that they will negatively impact commercial access, exports, and freedom of transport through the region.

The U.S. has acted as the region's security stabilizer for the last half century. Long histories of aggression, considerable cultural diversity, and uneven economic development between the resident countries have prevented the rise of a region-wide security arrangement. All of these factors continue to have the potential to destabilize the region. Some examples include:

- 1) Most of the Asian Pacific countries were invaded and treated very harshly by Japan during World War II. Animositities from Japan's aggression and pre-war occupations continue today and any indication that Japan may expand its armed forces beyond their self defense force composition and mission causes great uneasiness throughout the region. Historically, China has also been a regional aggressor and fears of their intentions remain high.

2) The Sinic, Malay, Islamic, and other cultural and ethnic forces within the region have conflicting priorities, loyalties, and goals that continue to stir unrest both within and between various Asia-Pacific countries. Some examples include: 1) the differing work ethic of the Chinese and Malay populations. The resulting economic disparity between the two groups has caused violent turmoil within Malaysia;<sup>17</sup> and, 2) the continuing political and religious distrust between the predominately Islamic Indonesia and communist China. This distrust is related to China's active support to the communist party in Indonesia during Indonesia's independence movement after World War II and in their political process up through 1967.<sup>18</sup> Formal relations between China and Indonesia have only recently been resumed. Similar historically based tensions exist throughout the region.

3) The Asia-Pacific countries per capita income levels are vastly different. "Japan has a per capita income of almost \$30,000 (at [early 1994] exchange rates), the United States is at about \$20,000. [Per Capita incomes of] the newly industrializing countries of East Asia cluster at \$5,000-10,000. Some of the developing nations of [East] Asia (including, at market exchange rates, China and Indonesia) fall below \$1,000 per capita."<sup>19</sup> The differences in standards of living cause friction between and within countries.

4) Any threat to the SLOCs could prove very destabilizing for the region, especially if the countries saw their national interests at stake. A current area of concern is the South China Sea. The Spratly Islands (a group of atolls and reefs) lie within this sea and contain natural resources of value to many of the surrounding countries. In fact, China,

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<sup>17</sup> Huxley, Tim, Insecurity in the ASEAN Region, Royal United Services Institute for Defense Studies, (Serrens Printers. Weymouth, Dorset, UK, 1993), pg. 34-35

<sup>18</sup> Borthwick, pg. 338-342

<sup>19</sup> Bergsten, pg. 25



Malaysia, the Philippines, Brunei, and Vietnam all have laid conflicting territorial claims to the islands. China and Vietnam have already clashed militarily over the islands and "all the claimants, except Brunei, maintain military detachments on at least one of the islands."<sup>20</sup> China has passed legislation that claims the waters around the Spratlys as territorial and authorized the use of force to prevent unauthorized activity within this 'coastal zone'.<sup>21</sup> Additionally, they are currently upgrading their coastal navy to a blue water navy to extend their range in the area. Both these actions have seriously disturbed all the ASEAN states. (ASEAN members include: Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Brunei.) Further, considering that Japan ships a good proportion of their vital resources (especially oil) through this sea, the possibility for our involvement is high.

Peaceful resolution of this issue is being worked. DoD in their report to Congress stated:

*"Some Southeast Asian leaders have suggested that the territorial claims could be set aside, and joint exploration of the islands' natural resources undertaken--with a division of profits among the parties involved. However, until such a plan is actually developed and agreed upon, the Spratlys will continue to be a potential source for regional instability."*<sup>22</sup>

Indonesia, through ASEAN, is leading this resolution effort.

Most ASEAN countries see continued U.S. military involvement in the region as key to stability. They have depended on the U.S. to act as a stabilizing force since the end of World War II and have been most concerned with the loss of the U.S. military facilities in the

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<sup>20</sup> Huxley, pg. 29

<sup>21</sup> Ibid., pg. 32

<sup>22</sup> Department of Defense, "A Strategic Framework for the Asian Pacific Rim: Report to Congress 1992," pg. 83

Philippines and the potential drawdown in both Japan and Korea. Many are looking to increase their defense spending in response to the U.S. drawdown and the increased military expenditures India, China, and Japan are making. Although none of the ASEAN states have offered the U.S. new bases, other deployment options are being worked.<sup>23</sup>

The bottom line is that a withdrawal of U.S. forces in the region could result in a power vacuum that would be filled by either China, Japan or a coalition of states. It would force the Asia-Pacific countries to turn from an economic focus to a security/survival focus with a corresponding reduction in resources devoted to commerce and a probable reduction in cooperation between the two sides of the Pacific.

Fortunately, the Asia-Pacific countries are as aware of this security/stability issue as the U.S. is. They are starting to work towards a resolution. According to the Chairman of the APEC Eminent Persons Group:

*"Asians are concerned that American withdrawal from the region could trigger instability there, and the United States, having fought three wars in Asia in the last half century, shares the goal of avoiding new regional tensions. Both groups thus seek to avoid any division between the two sides of the Pacific. They draw the obvious conclusion that firm institutional ties could help obviate such risk. Hence the leaders in Seattle [the 1993 APEC summit location] began the process of converting APEC from a purely consultative body into a substantive international institution."*<sup>24</sup>

Within the last year an ASEAN Regional Forum has met to formalize the previous 'informal' security discussions. Additionally, joint military exercises have been taking place.

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<sup>23</sup> Huxley, pg. 21-26

<sup>24</sup> Bergsten, pg. 21

Though no 'NATO like' community appears likely for this region, the discussions and working relationships developed will go a long way to lessening tensions.

## **CONCLUSION**

In conclusion, commercial access, freedom of navigation, the prevention of the rise of a regional hegemonic power or coalition, and regional stability are critical U.S. regional interests that directly relate to it's economic well-being. Maintaining commercial access to the expanding Asia-Pacific marketplace is key to increasing job opportunities and economic growth within America. Keeping the SLOCs open is imperative to support both our commercial access to and stability within the region. Preventing the rise of a hegemonic power or coalition is required to ensure that restrictive trade or security conditions cannot be imposed. Finally, Americans must continue their investment in the stability of the region to ensure the current commercial focus continues.

## **SECTION TWO: CURRENT ISSUES IMPACTING U.S. POLICY IN THE ASIA-PACIFIC REGION**

### **INTRODUCTION**

From an economic prospective, U.S. interests in the Asia-Pacific region and the need for continued active involvement seem clear. As discussed in the previous chapter, the requirements for stability, freedom of navigation, commercial access, and the prevention of the rise of any hegemonic power or coalition all dictate this continued active involvement. Friendly relations, open trade, and the free flow of ideas and information would all appear appropriate.

There are numerous current political and economic issues that are dictating U.S. policy toward the region in ways that are frequently disruptive to smooth relations and consequently, possibly not in America's best interests. Additionally, because the goals for the political and economic policy are different, sometimes the policies send conflicting messages. The economic issues are driven by self-interest by both the Americans and the Asians, but, in general, both want the same thing in the long run--economic prosperity and open trade. On the political side, this is not the case. There are a number philosophical differences between the U.S. and Asian views of political matters. The purpose of this section is to examine selected current economic and political issues which are causing conflict between U.S. policies and determine why.

## DISCUSSION

### *Economic Issues:*

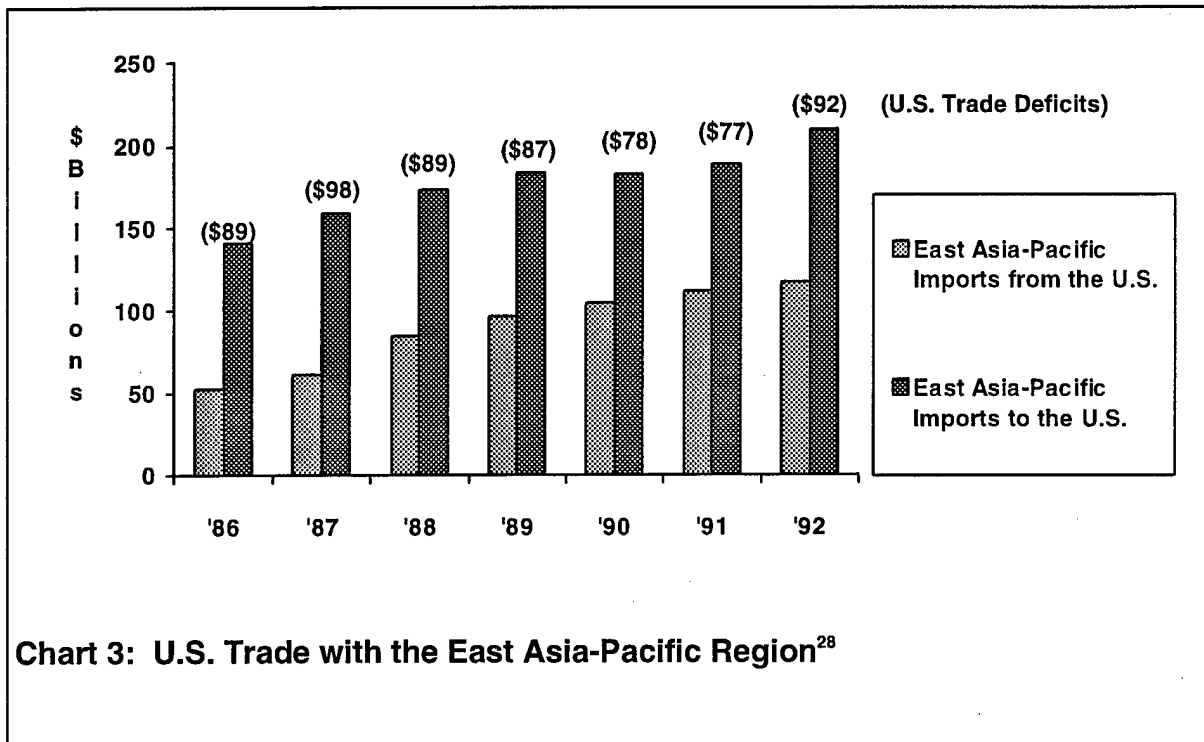
As discussed in the previous chapter, the Asia-Pacific region is the fastest growing marketplace in the world today. It's share of the world's GDP exceeds 25%.<sup>25</sup> East Asian economies are projected to expand at an annual rate of 7.3%, compared to 2.7% in the G-7 countries.<sup>26</sup> This rapid expansion has, unfortunately for the U.S., been accompanied by the development of large, recurring trade deficits with the region, for example: "In 1992, the United States had trade deficits with Japan (\$49.5 billion), China (\$18 billion), Taiwan (\$9.5 billion), and South Korea (\$2 billion)."<sup>27</sup> Chart 3, below, shows the disparity between U.S. imports and exports with the Asia-Pacific region from 1986 through 1992 .

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<sup>25</sup> A National Security Strategy of Engagement and Enlargement, The White House, July 1994, pg. 24

<sup>26</sup> Butler, Steven & Lawrence, Susan V., "The Lure of the Orient," *US News & World Report*, 22 Nov 93, pg. 35

<sup>27</sup> "Fact Sheet: US Economic Relations With East Asia and the Pacific", US Department of State Dispatch, Vol. 4, No. 48, 29 Nov 93, pg. 842



Some reasons for the trade deficit include: trade and investment barriers; failure to enforce intellectual property rights laws; and the rapid growth and industrialization of Asia-Pacific countries and resulting shift to new markets within the region. I will examine each of these reasons and some of the impacts they have on policy.

#### *Trade and Investment Barriers:*

There are numerous barriers within many of the Asia-Pacific countries that block U.S. trade and investment. These barriers come in all shapes and sizes from import duties and

<sup>28</sup> Butler & Lawrence, pg. 35

service industry restrictions to restricting shelf space in stores. Some specific examples include the following:<sup>29</sup>

1) Thai examples: Import duties of 30-60% [based on a percentage of the monetary value of the goods imported] and/or specific taxes of an equivalent or higher rate are currently assessed on most agricultural imports, especially processed food products, and many manufactured goods; The Thai Ministry of Commerce requires import licenses on certain raw material, petroleum, industrial, textile, and agricultural products. These licenses can be used to protect uncompetitive local industry; Thai law and regulations limit foreign equity in new local insurance firms to 25% or less; and Thai authorities (by restricting foreign bank entry, branching, and acquisition of Thai banks) have limited foreign banks to a roughly 5% share of the Thai banking market.<sup>30</sup>

2) Chinese examples: In Oct 1992, China and the U.S. signed a Memorandum of Understanding (MOU) that commits China to dismantle almost 90% of its non-tariff import restrictions over five years and to gradually open its markets to U.S. exports, however, China continues to impose barriers. These include absence of transparency in the trade regime; import-licensing requirements; import quotas, restrictions and controls; and standards and certification requirements. Tariffs can run as high as 250% on goods such as cars. Phytosanitary and veterinary standards are often overly strict, unevenly applied, and not backed by modern scientific practices. There are also significant barriers to investment, for example: Chinese regulations and policies place strong pressure on most foreign investors to

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<sup>29</sup> "Country Reports on Economic Policy and Trade Practices", Department of State Report submitted to the Committee on Foreign Relations, Committee on Finance of the US Senate and the Committee on Foreign Affairs, Committee on Ways and Means of the US House of Representatives, S. Prt. 103-68, Feb 94, pg. 42-110

<sup>30</sup> Ibid, pg. 107-108

export; firms are encouraged to use more domestic versus import components; foreign investors may not own land in China; and China doesn't permit foreign membership on its stock exchanges.<sup>31</sup>

3) Malaysian examples: There are high import duties or tariffs on numerous items to include: 20-30% import duties on processed and high value products, such as canned fruit, snack foods, unmanufactured tobacco, alcoholic beverages, etc. Foreign lawyers, architects, and other service professionals are not allowed to practice in Malaysia. Banking, insurance and stockbroking are all subject to government regulation which limits foreign participation.<sup>32</sup>

4) South Korean examples: Although formal barriers to imports have fallen, Korea has raised new, more subtle, secondary barriers. Korean tariff rates remain higher than the average for developing countries and special 'emergency' tariffs of up to 100% can be imposed to protect domestic industry. Unreasonably tough and arbitrarily enforced standards and labeling requirements have adversely affected U.S. exports of a wide variety of consumer products, including appliances and electronic equipment. Registration requirements for products such as chemicals and cosmetics hamper entry into the market and often require U.S. firms to release detailed proprietary information on the composition of their products.<sup>33</sup>

Asia-Pacific countries impose barriers for the same reason the U.S. imposes barriers--it is in their interests to do so. These barriers help protect uncompetitive businesses within their

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<sup>31</sup> Ibid, pg. 44-46

<sup>32</sup> Ibid, pg. 78

<sup>33</sup> Ibid, pg. 70-71



countries, protect jobs, foster self-reliance in food production, etc. These countries will continue to protect their interests with barriers until it is no longer in their interest to do so.

These barriers all reduce the access U.S. businesses have to Asia-Pacific markets and consequently, how much they can export to the area. America's policy is to work toward free and open markets. It is using a number of methods to reduce these trade barriers. MOUs and Dialogues for Economic Cooperation (DEC) have been successful Country to Country in getting long-term agreements for reductions in the barriers. On a region-wide basis, extensive discussions with ASEAN, the Asian Development Bank, the UN Economic and Social Commission for Asia and the Pacific, the South Pacific Council, the South Pacific Forum, and the Pacific Economic Cooperation Council, and more recently in both the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) and in APEC meetings have been attempting to develop standards for regional macro-economic issues, structural reform, and the health of the world trading system.<sup>34</sup>

#### *Intellectual Property Rights:*

Protection of U.S. intellectual property (copyright, patent and trademark items such as computer software, chemical and pharmaceutical products, books, etc.) has been a key issue between China and the U.S. Although China has passed laws to protect intellectual property rights, they are not enforcing them. The U.S. estimates it is losing up to \$300 million per year on software alone, and as a result, is threatening very significant trade sanctions if China doesn't improve their policing. The U.S. has problems with most of the Asia-Pacific countries on this issue and many (including Thailand, South Korea, Philippines, and Indonesia) are on

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<sup>34</sup> "Fact Sheet: US Economic Relations With East Asia and the Pacific", pg. 843

either the 'priority watch list' or the 'watch list' under the Special 301 provisions of the Trade Act until their protection improves.<sup>35</sup> There are literally billions of dollars being lost to American businesses from the unlicensed use of these products. This 'theft' of intellectual property is forcing policies that are detrimental to America's preferred free and open trade policy.

#### *Growth and Industrialization of Asia-Pacific Countries:*

With the gradual fall of trade and investment barriers, the Asia-Pacific countries' economies have become intertwined. Dependence on U.S. (and even Japan) has declined with the economic explosion in 'the Four Tigers' (Singapore, Taiwan, Hong Kong, and South Korea). For example: "In 1986, Japan and the U.S. provided 52.3% of foreign direct investment to Malaysia, Thailand, Indonesia and the Philippines. By 1990, they were overtaken by investment from the Four Tigers. In 1986, 42% of exports from the Four Tigers went to the United States; by 1991, the proportion fell to 27% and the four economies' total trade more than doubled."<sup>36</sup> As the Asia-Pacific economies grow and resources and more sophisticated products become available from within the region, and as the U.S. uses trade sanctions to enforce democracy and human rights issues, many of the Asia-Pacific countries are opting to buy and invest within the region. In this case, political policies are conflicting with our free and open trade policy.

#### *Political Issues:*

Two major areas of difference between the U.S. and Asian-Pacific peoples in the political arena are human rights and democracy. Are aspects of human rights universal? Is

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<sup>35</sup> "Country Reports on Economic Policy and Trade Practices", pg. 46-110

the Western model of democracy appropriate for the Asian community? John Shattuck, Assistant Secretary for Democracy, Human Rights, and Labor, recently stated that protecting human rights and promoting democracy are integral elements of U.S. foreign policy for two basic reasons: they reflect U.S. fundamental values which are considered binding and universal principles; and human rights protection serves far-reaching, long-term interests of both the U.S. and the entire international community.<sup>37</sup> He goes on to state:

*"We know from historical experience that democracies are more likely than other forms of government to respect human rights; to settle conflicts peacefully; to observe international law and honor agreements; to go to war with great reluctance and rarely against other democracies; to respect the rights of ethnic, racial, and religious minorities; and to provide the social and political basis for free market economies. Open societies make for better and more stable trading partners because they tend to honor agreements and provide reliable systems of justice. By contrast, repressive regimes foster instability in the long run and put investment at great risk of expropriation or loss."*<sup>38</sup>

Unfortunately, because of the different philosophical views that the Asian peoples hold on these 'integral elements of U.S. foreign policy,' conflict has arisen that impacts not only the countries' relations, but also the preferred free and open trade policy. Looking first at human rights, I will list some of the contentious issues by country and then discuss the American and Asian viewpoints and their impact on policy.

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<sup>36</sup> Ibid, pg. 35

<sup>37</sup> Assistant Secretary for Democracy, Human Rights, and Labor, John Shattuck's address to the Asia Foundations' Center for Asian Pacific Affairs, Alexandria, Va, 28 Jun 94, "Human rights and Democracy in Asia", US Department of State Dispatch, Vol. 5, No. 29, 18 July 94, pg. 480

<sup>38</sup> Ibid, pg. 480-481

### *Human Rights Issues:*

There are numerous instances of human rights abuses in the Asia-Pacific region that have outraged both the U.S. public and most Western countries. The public outrage has caused the U.S. Congress to pass laws mandating restrictions to trade, security interchange, etc. in attempts to curb those governments behavior. Some examples of these abuses include:

1) Indonesia's invasion in 1975 and their ongoing occupation of East Timor.

Both the U.S. and the United Nations (UN) do not recognize Indonesia's occupation and both are pushing for a UN supervised referendum from the East Timorese to declare that they wish to be Indonesian.<sup>39</sup> Indonesian abuses were again in the limelight following a massacre of up to 100 people (with scores of others wounded) on 12 Nov 91 when Indonesian troops opened fire for several minutes on a peaceful procession of an estimated 3000 people at the Santa Cruz cemetery in Dili, East Timor. Some of the victims were shot while attempting to flee and others were beaten and stabbed.<sup>40</sup> Most western governments were highly critical of Indonesia, especially at what were seen as their initial clumsy and insensitive attempts to downplay the incident. The Netherlands, Canada, and Denmark suspended their aid programs and the U.S. House of Representatives voted a \$2.3 million cut in military training assistance.<sup>41</sup>

Following the world-wide outcry, Indonesia's president Suharto ordered a high level official inquiry into the incident. The results of the inquiry have been both applauded and condemned: The State Department and most western governments applauded it because

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<sup>39</sup> "Crisis in East Timor and US Policy Toward Indonesia", Hearing before the Committee on Foreign Relations United States Senate, S. Hrg. 102-634, 27 Feb & 6 Mar 92 (US Government Printing Office, Washington, 1992) pg. 3

<sup>40</sup> Ibid, pg. 14

the Indonesia government dealt with the incident as a tragedy; the inquiry determined that excessive force was used and that some troops were clearly 'out of control'; and follow-up actions were taken against specific military members (some generals were dismissed and charges were brought against a number of the soldiers involved).<sup>42</sup> Others, such as Amnesty International and Asia Watch, call the inquiry and subsequent action insufficient as they see this incident as a continuation of a series of incidences that began in 1965 and are continuing.<sup>43</sup> Portugal, the former colonial power in East Timor, was also not impressed with Indonesia's corrective action and, in 1992, used numerous forums to condemn Indonesia's actions: 1) they used their influence in the European Community (EC) to hamper Indonesia's standing with that community; 2) they pushed the UN for a resolution to the Human Rights Commission protesting the situation in East Timor; and 3) they blocked the commencement of negotiations between ASEAN and the EC on the grounds of Indonesia's human rights record.<sup>44</sup>

Backlash from East Timor continues today with the recent peaceful demonstration by 29 East Timorese at the U.S. embassy in Jakarta and the arrest of two U.S. journalists who attempted to travel to East Timor without proper authorization. Both the demonstration and the arrest were timed to coincide with the 1994 APEC summit meeting hosted by President Suharto in Bogor, Indonesia.<sup>45</sup>

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<sup>41</sup> MacIntyre, Andrew, "Indonesia in 1992, Coming to Terms with the Outside World," *Asian Survey*, Vol. XXXIII, No. 2, Feb 93, pg. 204-205

<sup>42</sup> "Crisis in East Timor and US Policy Toward Indonesia", pg. 75-76, and MacIntyre, pg. 205

<sup>43</sup> "Crisis in East Timor and US Policy Toward Indonesia", pg. 8-10

<sup>44</sup> MacIntyre, pg. 205

<sup>45</sup> Anonymous, "A Ghost at the Banquet, East Timor Resurfaces to Haunt the Summiteers", *Asiaweek*, Vol. 20, No. 47, 23 Nov 94, pg. 28

2) The 1989 Tian'anmen Square massacre is certainly the most publicized and remembered incident in China, however other abuses continue today. Some examples of these include: the continued arrest, torture, and secret trials of dissidents and the relatively new crimes on the books such as 'disturbing public order and damaging people's health through religious activities,' 'stirring up conflicts between nationalities,' and 'doing harm to the public interest'<sup>46</sup>; the use of prisoners in labor camps to produce products for export<sup>47</sup>; and Human Rights Watch/ Asia recently published a report concerning the taking of body parts for transplants from the bodies of executed and live prisoners<sup>48</sup>. Throughout 1994, China's Most Favored Nation (MFN) status was being held hostage as attempts were made to tie it to the U.S.'s position on their human rights abuses. In the end, MFN was decoupled from human rights, but, as stated by John Shattuck, "China did not achieve significant, overall progress on human rights. . .[and] under the requirements of U.S. law, China's MFN status will still be evaluated annually with respect to freedom of emigration."<sup>49</sup>

3) There have been numerous reports recently of the Thai government turning a blind eye to the traffic in women and girls brought in from Myanmar to Thailand for forced prostitution. According to Asia Watch, there is clear evidence of direct official involvement in every stage of the trafficking process.<sup>50</sup>

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<sup>46</sup> Anonymous, "Coddler-in-Chief," *The Progressive*, Vol. 58, Iss. 7, Jul 94, pg. 7-8

<sup>47</sup> Brockway, George P., "The Dismal Science, Playing the China Card," *The New Leader*, Vol. 77, Issue 7, 4 Jul 94, pg. 11-12

<sup>48</sup> Anonymous, "Of Car and Body Parts", *The Economist*, Vol. 332, Iss. 7879, 3 Sep 94, pg. 40

<sup>49</sup> Assistant Secretary for Democracy, Human Rights, and Labor, John Shattuck's address to the Asia Foundations' Center for Asian Pacific Affairs, pg. 481

<sup>50</sup> Anonymous, "The Slaves from Myanmar", *The Economist*, Vol. 330, Iss.. 7849, 5 Feb 94, pg. 32

4) Although Indonesia has recently raised the minimum wage level for factory workers and announced that the army would no longer be used to enforce compliance in strike situations, numerous employers are ignoring the new minimum wage and the army has continued to arrest strike activists and herd workers back into the factories. The U.S. government is looking into withdrawing the benefits for Indonesia under the Generalized System of Preferences.<sup>51</sup>

The value of human rights to U.S. citizens cannot be overstated. It was one of the primary reasons the U.S. fought for independence. The right of free speech, freedom of religion, freedom to select our own leaders, freedom from persecution, etc., are fundamental values that most U.S. citizens take for granted, so much so, that they expect them to be fundamental rights around the world. Americans value human life and expect other countries to do so. When these 'fundamental Western values' are abrogated in other countries (especially if this is shown on the evening news), Americans are outraged. They expect action to be taken to fix the problem and they let their Congressmen and women know that they want something done. Sanctions of one form or another are usually attempted as a result. As trade sanctions are seen as some of the few that carry weight in the Asia-Pacific countries, there are frequent attempts to link these and human rights. Not surprisingly, the sanctioned country resents what it sees as interference in its internal affairs. Relations between the U.S. and that country become strained and the free and open trade policy again takes a hit.

As noted above in the quote from John Shattuck, the U.S. government considers human rights abuses to be destabilizing to countries and regions. If abuses by governments

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<sup>51</sup> Greider, William, "National Affairs, The Global Sweatshop," Rolling Stone, pg. 43

become so bad that they outweigh the benefits (economic progress, security, justice systems) provided by that government, the people either rise up against the government or they leave. Either case contributes to instability within the country, the region, or both, and places investment and economic prosperity (and consequently, American exports and jobs) at risk.

Why do Asian countries resent our interference over these fundamental values? If they are truly fundamental, then everyone should automatically respect them and sanctions shouldn't be questioned. The reason is that there is a philosophical difference on these fundamental values between the East and the West. This difference is expressed by Lee Kuan Yew, Singapore's former Prime Minister, in a recent interview where he was discussing some of the problems with the American social system. He stated:

*"The expansion of the right of the individual to behave or misbehave as he pleases has come at the expense of orderly society. In the East, the main object is to have a well-ordered society so that everybody can have maximum enjoyment of his freedoms. This freedom can only exist in an ordered state and not in a natural state of contention and anarchy."*<sup>52</sup>

Eric Jones, commenting on Lee Kuan Yew's interviews in several western newspapers and magazines, interprets Yew's position as supporting Asian leaders right in putting "the reduction of material suffering first, even if they have to be brutal in order to attain that goal."<sup>53</sup> In other words, Asian values place individual rights, so revered by U.S. citizens, secondary to the well-being of the group. In this case, economic advancement first, once that is achieved, human rights, civil liberties, the environment, etc., can come after.

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<sup>52</sup> Zakaria, Fareed, "Culture Is Destiny, A Conversation with Lee Kuan Yew," *Foreign Affairs*, Vol. 73, No. 2, Mar/Apr 94, pg. 111

<sup>53</sup> Jones, Eric, "Asia's Fate, A Response to the Singapore School", *The National Interest*, Spring 94, pg. 19



Additionally, many Asian leaders are suspicious of Western motives in espousing their human rights policies. They see them as commercial (as in attempting to raise labor costs in competing economies), culturally imperialistic, or hypocritical (given the social problems of crime, poverty, homelessness, etc., in the West). The Malaysian Prime Minister has called for a Europe Watch, and America Watch and an Australia Watch, if there is to be an Asia Watch.<sup>54</sup>

American business also dislikes sanctions due to human rights because of the reaction it causes in the sanctioned country. This reaction usually takes the form of increased or continued trade and investment barriers placed against American companies.

Most Asia-Pacific countries are still 'developing' and have worked hard to come as far as they have. Consider how far they have come in just 30 years, when it took the Western world 400 years. Granted, the Western world did not have anyone there to show them the way or help them along, however, they also did not have other countries pointing out their human rights abuses along the way either. Many of the Asian countries do not hesitate to point this fact out. They believe the Western human rights policies to be unfair.

The human rights issue is unlikely to go away anytime soon considering current realities: 1) Both journalists and human rights organizations such as Asia Watch and Amnesty International are out actively monitoring countries for human rights abuses and then writing reports and articles, preparing news clips, and lobbying both the American people and the U.S. Congress for action when abuses are found; and 2) Most Asia-Pacific countries consider human rights an internal affair to be dealt with after economic stability has been achieved and

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<sup>54</sup> Ibid, pg. 22

resent Western intervention. The administration seems to have made the choice for continued subtle pressures (restricting aid, military-to-military contacts, etc.) versus full blown sanctions (withholding MFN status) for the time being.

*The Democracy Issue:*

The democracy and human rights issues are intertwined so deeply it is difficult to separate them because the underlying principles are so very similar. John Shattuck, in outlining the U.S. position on democracy stated:

*"We do not seek to replicate America's unique society around the world. Rather, we promote accountable government, a free press, effective judiciaries, and the rule of law. We encourage the development of civil society--of civic, religious, trade, and social groups--that creates breathing room for society to develop apart from the state and affords individuals and communities the greatest opportunity for growth."*<sup>55</sup>

Accountable government, free press, effective judiciaries, and rule of law all speak to people having a say over their own lives and their governments, in other words, human rights. Western democracies are based on the *right of the individual* to choose their leaders and to speak out their opinion.

Asian democracy, on the other hand, is based on the *rights of society* as a whole over that of the individual. It is characterized by respect for authority and hierarchy. Asian children are brought up to be deferential to authority. It is unacceptable to publicly criticize the nation's leaders as that can be construed as criticism of the state itself.<sup>56</sup> The government

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<sup>55</sup> Assistant Secretary for Democracy, Human Rights, and Labor, John Shattuck's address to the Asia Foundations' Center for Asian Pacific Affairs, pg. 481

<sup>56</sup> Neher, Clark D., "Asian Style Democracy," *Asian Survey*, Vol. XXXIV, No. 11, Nov 94, pg. 953

has authority based upon its 'mandate from heaven.' This mandate lasts as long as the leadership provides a stable society that provides for the greatest good, in this case, security and economic growth. This political order has its basis in most of the religions of the area and has been the accepted norm for centuries.

Another difference is what Clark Neher refers to as 'personalism.' In the East, individual leaders play a very significant role in determining the direction their country takes. Their power is not constitutionally based, rather it is from the individual's sheer force of personality, and from personal relationships developed over time. Some examples include: Sukarno and Suharto of Indonesia, Chiang Kai-shek in Taiwan, Lee Kuan Yew in Singapore, and there are many others. The long time these leaders stay in office is accepted by most within their countries as normal, and to the benefit of the country. These leader's legitimacy was earned, in most cases, during independence movements. They achieved their 'mandate from heaven' based on the success of the fight. They solidified their power by providing security and stability in their countries. Those who stay in power, used their authority and contacts to provide economic growth the quickest way possible, which usually meant great sacrifice by the people. As long as the people saw growth and benefit from their sacrifice, they were willing to put up with restricted rights, especially as they had centuries of history endorsing authoritarian leaders.

In these societies, there is a constant move to join the particular faction that appears best suited to meet the needs of the individual or family. East Asian politics are about personal contacts, and personal alliances do in the East what impersonal laws and institutions

are supposed to do the West. This is especially evident where political parties, lobbies or other pressure groups, legislatures, etc. are restricted.<sup>57</sup>

The government or 'state' in many Asia-Pacific countries has been capable of dominating political parties, business associations, labor groups, etc., because of the exalted position of the leaders. The state is the legitimate institution for managing political, economic and national security. As opposed to the free market of most Western nations, the state has guided, or in some cases controlled, the economic direction of the country. In many cases the military is a major player in the government and in the market, because it's position is based on legitimacy garnered from fighting for independence and on personal relationships developed over years with the country's leaders. In some cases, the military leader has also been the political leader. "Strong states have prevailed in Asian nations because their economic intervention has been effective; the state has intervened in ways that promote, rather than inhibit, entrepreneurs."<sup>58</sup> It is not surprising that economic success has determined the staying power of these Asian governments when one considers the fact that not more than three to four decades ago, most of these countries were undeveloped and recovering from the devastation of war.

This culturally based acceptance of authority and the state's right to ensure the greater good versus an individual's good is directly opposed to the Western view of democracy. With the economic rise of Asian style democracies, the legitimacy of the argument that 'Western democracy is the only style' is losing ground. The current U.S. administration appears to be listening to the recent dialog on this issue and paying attention. John Shattuck's statement,

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<sup>57</sup> Ibid, pg. 951-952

<sup>58</sup> Ibid, pg. 956-957

“We do not seek to replicate America’s unique society around the world,”<sup>59</sup> is an indication that the West is becoming more open to the idea of different styles of democracy. There are numerous statements by other senior administration personnel indicating the same.

The acceptance of differing styles of democracy does not mean that the human rights issue will go away. First, although Americans can accept different leadership styles, they are not willing to accept the televised or otherwise reported ill-treatment of other human beings. They will continue to push their Congress for punitive action. Second, as long as human rights are abused, there will be protests, strikes, and other political activity to combat it. This activity is destabilizing to governments and not in their long-term best interests. Very gradually, as more people become economically secure, they will protest their lack of self-determination, free speech, etc., and the Asian governments will hopefully respond or be overthrown.

## CONCLUSION

The political and economic issues between the U.S. and the Asia-Pacific countries have great impact on policies. Philosophical differences have driven the political issues. The U.S. considers the treatment of individuals and respect for their rights and persons to be fundamental values that should be respected world-wide and they have been willing to use their economic clout to enforce compliance (to the detriment of the free trade policy.) Asia-Pacific countries consider individual rights secondary to the good of the group and resent the U.S. trying to force Western values down their throats. Self-interest on both the U.S. and the Asia-Pacific countries sides has driven the economic conflicts. The U.S. has used trade

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<sup>59</sup> Assistant Secretary for Democracy, Human Rights, and Labor, John Shattuck’s address to the Asia Foundations’ Center for Asian Pacific Affairs, pg. 481

sanctions to try to enforce compliance with both democratic and human rights ideals. The Asia-Pacific countries use trade barriers and lack of enforcement of intellectual property rights to help build their own economies. Both the political and economic issues are in conflict with the basic economic priority to strive for free and open trade between countries.

## CONCLUSION

To return to the questions I asked at the start of this paper: 1) What are America's interests in the Asia-Pacific region?, and, 2) What current political and economic issues are driving the confusion over priorities in U.S. policy and why? U.S. interests in the Asia-Pacific region are clear. Although I focused on the economic impact of a few selected interests, the implications are much broader and include political and security aspects. The requirements for stability, freedom of navigation, and the prevention of the rise of any hegemonic power or coalition all have obvious security overtones. The political implications are less obvious, but they underlie the U.S. policy on democracy. To once again quote John Shattuck: American's believe that democracies are more stable, war only with great reluctance, respect human rights, and provide the social and political basis for free market economies and free trade. I believe America's interests in the Asia-Pacific region clearly dictate the continuation of the investment of the administration's time and efforts and the continuation of the military presence.

The conflict on priorities for policies is less easy to resolve. American's are faced with a moral dilemma--business and profits versus 'the right thing to do.' From an economic standpoint, it would be best to put the human rights and democracy policies on the back burner, let the Asian people fight their own battles with their governments for these freedoms. Concentrate on the policy of free and open trade, imposing sanctions only when we see situations such as the theft of property (intellectual property), or protectionist trade barriers. After all, the political policies are, in Asian eyes, interference in their own internal affairs and

possibly just a more subtle attack on their economic viability. It merely pushes them to other markets or into imposing sanctions of their own.

Reality, however, forces attention on the political policies. American's are, in general, a very 'moral' people who have a deeply rooted respect for human life, rights, and freedoms. Many other Western countries share similar views. There are numerous journalists and special action groups out watching and reporting on human rights and democratic abuses in the Asia-Pacific region. They stir up Americans with news programs, headlines, and magazine articles, causing people to press the Congress for action. It would be virtually impossible for any administration to completely ignore this reality.

The current administration started out trying to give the political and economic policies equal priority, with the political side being a little more to the forefront. Economic reality has set in, however, and they have backed off in cases like MFN links to human rights. I think this more pragmatic view is best. Concentrate on the economic policies, because I truly believe that governments that provide economic opportunities for their people, allowing for the growth of a middle class, will eventually be forced by their own people into being more 'democratic.' Push the political policies when possible, but not to the extent that they turn current friends into enemies.



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